

State Pharmacy Plus Demonstrations
Medicare Modernization Act —Final Rule
Fact Sheet

- Pharmacy Plus demonstrations are 1115 waivers that were designed for States to expand coverage for prescriptive drugs under the Medicaid program to seniors and individuals with disabilities who have income exceeding that permitted for Medicaid eligibility.
- The Centers for Medicare and Medicaid Services (CMS) approved four states' applications for Pharmacy Plus demonstration waivers (Florida, Illinois, South Carolina, and Wisconsin). The Pharmacy Plus program in Florida covers seniors between 88-120 percent of the Federal Poverty Level. The remaining three states cover individuals up to 200 percent of the Federal Poverty Level.
- The four-State demonstration waivers provide prescription benefits for 312,413 individuals, costing these States \$114 million per year, collectively.
- Generally, we believe that states can wrap around the Medicare Part D benefit and provide prescription drug coverage equal to or better than that under Pharmacy Plus at less cost to the state.
- The final rule provides that Pharmacy Plus demonstration waivers can continue with federal match after January 1, 2006, under certain circumstances.
- States that operate a Pharmacy Plus demonstration waiver must demonstrate these programs will still be cost effective by submitting a revised budget neutrality calculation for the demonstration. This calculation must account for the reduction in Medicaid spending and a lesser diversion of dual eligible beneficiaries into the Medicaid program due to the implementation of Part D. CMS will review the revised budget neutrality calculation and approve or disapprove the continuation of the demonstration for the period when the prescription drug benefit is effective.
- Pharmacy Plus program costs, including the state share of the program, cannot be counted towards true out-of-pocket costs because Pharmacy Plus programs do not qualify as State Pharmacy Assistance Programs.
- The Medicare Modernization Act of 2003 only allows a person or a State Pharmacy Assistance Program to make payments that will count toward true out-of-pocket costs for an individual Part D enrollee. Given this statutory provision, it is believed that in general States would be better off and would realize savings if those states restructured their prescription drug programs as State Pharmacy Assistance Programs, rather than continuing their Pharmacy Plus programs. Savings could be used in a variety of ways, such as directly paying for their enrollees' Part D premiums, wrapping around the Part D benefit by paying for the required cost-sharing, or paying Prescription Drug Plans for an enhanced benefit.